



MUNICIPALITY OF ANCHORAGE

Finance Dep't., Treasury Div.
Fax: (907) 343-6677

Mailing Address
P.O. Box 196650
Anchorage, AK 99519-6650

Physical Address
632 W. 6th Avenue, 3rd Floor
Anchorage, AK 99501

AMC 12.20 Room Tax INFORMATIONAL #3 Commissions Paid to Travel Agents, Etc.

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This informational provides uniform guidance to operators who pay commission fees to booking agents, tour operators, or travel agents to arrange rental of and/or collect monies for individual rooms or blocks of rooms from guests or tour groups. It is the responsibility of this office to ensure that AMC 12.20 is applied and enforced in an equitable manner and therefore, it is imperative that all operators account for these taxable transactions in a comparable and consistent manner.

AMC 12.20.020A specifies that the guest must pay the 12% (see note) Municipal room tax at the time the rent is paid. AMC 12.20.010 defines an "operator" to be the person "who owns, operates or controls any facility in which there is rented or offered for rent one or more rooms, the rent for which is, absent an exemption under this chapter would be, taxable under this chapter." When a booking agent, tour operator, or travel agent reserves a block of rooms to be used for their customers, the booking agent, tour operator, or travel agent becomes an "agent" of the lodging operator, pursuant to AMC 12.20. The "operator" is responsible for ensuring that their agent collects the Municipal room tax from the agent's customers, who are defined as "guests" by AMC 12.20.010. The "operator" is responsible for remitting these taxes to the Municipality on a quarterly basis. The tax is to be assessed at 12% of the room rental rate paid by the "guest" to the booking agent, tour operator, or travel agent. If the operator pays a commission fee to the booking agent, tour operator, or travel agent for services rendered, this commission will NOT reduce the amount of gross rents to be reported to the Municipality or the amount of tax to be collected and remitted. The total amount of taxes collected from the transient guests must be remitted to the Municipality.

It does not matter to the Municipality whether the commission is based on room rates or gross collections. The commission is an ordinary business expense which may not be used to reduce gross rents to "net rents" collected for Municipal tax reporting purposes.

The following simplified example will serve to clarify this issue:

Gross rental rate per room	\$100.00
12% room tax to be paid by guest	<u>12.00</u>
Per room amount to be collected by agent	\$112.00
Less commission paid to tour operator	<\$ irrelevant>
Net amount collected by operator from agent	\$ irrelevant
Tax per room due to the Municipality	\$ 12.00

Note: Effective Jan. 1, 2006, the room tax rate increased to 12%. The 8% still applies to any guest stays or adjustments for guest stays prior to Jan. 1, 2006. If a guest stay started in 2005 and ended in 2006, the appropriate tax rate should be applied to each date.

For more information, please visit our website at: www.muni.org/treasury and click the "Room Tax" link, or contact: Supervisor (907) 343-6965 Enforcement Officers (907) 343-6964 or 6676 Assistants (907) 343-6686 or 6967